Retrospective Residual Appraisal

Why do RRAs work?

ACORN

value enhancement

Acorn's aim is to deliver successful profitable developments

A fair joint venture and development agreement should:

- *Consider the aims and needs of all parties*
- *Deliver fair value to the landowner and a fair share of the development profit*
- *Give a fair reward for risk, effort and value created by the developer*
- *Have common goals*

All successful joint ventures must meet the aims and needs of the partners. The first thing Acorn considers when approaching a landowner or a potential partner is to identify what that partner requires of the relationship.

These become the conditions of any precedent of any Agreement. This could include timing of a payment; a minimum amount; the retention of land; the continuation of business and of course the level of risk.

minimum price guarantee

Risk and opportunity

Fully understanding the risks and opportunities of any development is key when agreeing a fair deal. Main areas of uncertainty are:

1. *Planning*
2. *Construction costs*
3. *Sales values*

we don't make a penny unless the minimum land value has been reached

Planning

Even with extensive experience, the best skills and consultants, gaining planning permission remains a huge area of risk which remains outside the control of the joint venture partners.

If the developer has to take planning risk it will inevitably lead to a more conservative valuation of the land.

One solution is to agree on the value of the land once planning has been achieved.

guarantees fair land value

whilst shielding the landowner from development risk

Construction costs

Once planning permission has been achieved, detailed construction costs can be more accurately assessed.

This is particularly important when dealing with complex sites. Trying to calculate construction costs without planning permission will involve risk so will inevitably reduce the price that can be offered for the site.

If the partners agree to set the land value once construction costs have been accurately calculated, it benefits all parties by mitigating some of the risk.

Sales values

With planning permission and a detailed design in place, it is much easier to accurately assess the value of a completed scheme.

Without it, extra risk has to be factored in which will ultimately reduce the price of the land on any bid.

together we can do more

Working together for a better solution

Acorn's unique Retrospective Residual Appraisal (RRA) allows the land to be valued fairly once all these risks have been quantified.

Once the needs of the landowner are fully understood, a contract is entered into with the land price being calculated using Acorn's RRA. This guarantees a Fair Land Value and even complies with the Charity Commission's guidance CC28 which is a legal obligation on Trustees to ensure best value has been achieved. Then the parties, in agreed proportions, will fund and obtain a planning permission, calculate the build costs, value the completed scheme and then the RRA automatically calculates the Fair Land Value.

The landowner or partner can have complete confidence in this process because at each stage, third-party experts, quantity surveyors and valuers will independently audit the process on behalf of both the landowner and the developer.

ensure best value

transparent process

Throughout, the landowner and Acorn are mutually aligned as all additional profits are shared between the landowner and developer and this ensures the optimum possible development solution is obtained.

Stage 1 *Agree landowner's parameters; agree minimum payment or retention of land or property; agree timing of the payments to the landowners.*

Stage 2 *Agree profit split.*

Stage 3 *Obtain planning, collect accurate costs and value figures and agree the Fair Land Value.*

Stage 4 *Acorn undertakes the development managing the entire process and the development risk.*

Stage 5 *Result – landowner obtains enhanced value and fair share of profit without taking development risk.*

we are at our best
when we work together

ACORN

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